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Bush and Health Care Companies Promise Medicare Drug Discounts

By ROBERT PEAR

WASHINGTON, July 12 — Five big health care companies promised today to work with President Bush to help Medicare beneficiaries obtain discounts on prescription drugs through a voluntary private program starting Jan. 1. But Democrats in Congress ridiculed the president's proposal as a trivial step to solve a huge problem.

Under Mr. Bush's plan, the federal government will give its approval to drug discount cards issued by private companies that meet federal standards. The companies will pool the purchasing power of Medicare beneficiaries to negotiate discounts from pharmacies and drug manufacturers.

Mr. Bush unveiled what he described as "an exciting new plan," requiring no legislation, at a brief ceremony in the Rose Garden of the White House. He invoked the spirit of Lyndon B. Johnson, who signed the law creating Medicare on July 30, 1965.

"The new drug discount plan combines the purchasing clout of millions of seniors to negotiate lower prices than under the current system," Mr. Bush said. "Under my plan, participating pharmacies will get new customers, and seniors will get high-quality drugs at a lower price."

The drug discount cards are a big political gamble for Mr. Bush. No one can be sure if they will work. They could amount to no more than the plastic "health security card" that President Bill Clinton flashed before the television cameras when he announced his proposal for universal health insurance.

On the other hand, Mr. Bush could reap big political gains if the discount cards help significant numbers of Medicare beneficiaries. The president would be able to claim credit for acting, especially if Congress is unable to adopt a Medicare drug benefit before the elections next year.

Critics, amplifying a political line of attack that Democrats have used on issues as varied as energy prices and campaign finance, called Mr. Bush a captive of corporate interests. Representative Sherrod Brown, Democrat of Ohio, said Mr. Bush's broader plan for overhauling the Medicare program "conceals a scheme for privatization of Medicare and could have been written by the pharmaceutical industry or the insurance industry." But administration officials brushed aside the criticism and said Mr. Bush, with his move today, was harnessing the expertise and ingenuity of private industry to deliver immediate, tangible benefits to the elderly.

Under the drug plan, a Medicare beneficiary will be able to get a discount card by paying a one-time enrollment fee, which cannot exceed \$25. Tommy G. Thompson,

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the secretary of health and human services, said he hoped the discounts would cut typical retail prices by 15 percent to 25 percent or more.

Pharmacists and drugstores adamantly oppose the idea of a drug discount card as described by Mr. Bush. The discounts, they say, will sharply reduce their profit margins, will divert business to mail-order houses, could limit consumers' choice of drugstores and will force pharmacists to sell at prices dictated by government-approved entities.

AARP, a politically potent lobby for the nation's elderly, was initially skeptical, but expressed more interest after learning details today.

John C. Rother, the chief lobbyist at AARP, said Mr. Bush's initiative, though no substitute for Medicare drug benefits that the organization hopes to see enacted, was "a worthwhile idea" that would provide elderly people not only discounts but also more information on drug prices.

The five companies that endorsed the plan — AdvancePCS, Express Scripts, Caremark Rx, Merck-Medco and WellPoint — are to form a consortium to run the discount program for Medicare beneficiaries. Top executives from the companies were at the White House today when Mr. Bush announced the plan.

These companies already manage drug benefits for more than 200 million Americans with private health insurance. Federal officials predicted that a total of 8 to 15 companies would eventually meet the federal criteria to participate in the discount program.

Such companies — the card sponsors, known as pharmacy benefit managers — see the Medicare population as an attractive market. They could send marketing materials for other services to Medicare beneficiaries who sign up for discount cards, though beneficiaries could choose not to receive such mailings.

About one-third of the 40 million Medicare beneficiaries have no insurance coverage for prescription drugs. This group of 13 million to 14 million people is seen as the prime market for the cards.

Stuart L. Bascomb, executive vice president of Express Scripts, said: "Whether we can or cannot make money on this program remains to be seen. Ask me in a few months. We are interested because seniors are the highest users of prescription drugs. It's a very large population that we don't serve now."

Democrats scoffed at the president's idea. Senator John D. Rockefeller IV of West Virginia said discount cards were already available to any consumers who wanted them. Mr. Rockefeller said the plan was "laughable, incomprehensible — utterly, absolutely superficial."

But Republicans welcomed the approach. Senator Susan Collins of Maine said: "I see drug discount cards as a small, helpful step that can be implemented quickly, without legislation. The government, by highlighting the availability of these cards, will prompt more seniors to take advantage of them."

Mr. Bush today also offered general "principles for strengthening and improving Medicare," beyond the stopgap device of discount cards.

The president said again that he favored the addition of drug benefits to Medicare but that they would have to be accompanied by sweeping changes in the program, including a larger role for health maintenance organizations and other private health plans. The government, he said, should contribute a fixed amount of money for each beneficiary, whether the person is in a private plan or in the original fee-for-service program. That would be a radical change for the traditional Medicare program.

Representative Bill Thomas, the California Republican who is chairman of the House Ways and Means Committee, said the president's principles provided "a strong framework for Medicare reform" that would put the program on a stable financial footing.

Under the discount-card program, drugs are to be available at different prices under different plans. Beneficiaries could choose the plan that best met their needs. One plan might cover six drugs for diabetes, while another covered just two. One plan might charge no enrollment fee but limit the choice of drugs. Another plan might charge a \$25 fee but offer discounts on a much longer list of drugs, at a larger number of pharmacies. Each card sponsor could offer several plans.

The largest discounts, up to 40 percent off the typical retail price, would be for generic drugs sold by mail order. Medicare beneficiaries could switch plans twice a year.

The card sponsors would steer beneficiaries to specified drugstores, establish lists of preferred drugs, fill prescriptions by mail and run telephone call centers to answer questions from consumers.

Craig L. Fuller, president of the National Association of Chain Drug Stores, called the approach "ill conceived and unworkable." Discount card programs have been tried in Washington State and elsewhere, Mr. Fuller said, and the promised savings often fail to materialize.

In response to such criticism, Mr. Thompson, the secretary of health and human services, said: "Retail prices will be lower; there's no question about that. But pharmacies will have more customers coming in, so the program should be of benefit to drugstores."

The Medicare agency, which can barely perform all its existing responsibilities, will face immense challenges in getting the new program started by January. It will promote the cards' use and coordinate the work of the pharmacy benefit managers. It will also set standards for those companies, but it is not clear how it will enforce them.

Administration officials said the government would not have contracts with the benefit managers, would not directly regulate them and would not pay them for processing claims or for any other services.

Administration officials were vague about the legal authority for the new program. They cited the government's statutory duty to inform and educate Medicare beneficiaries as a possible source of authority.